

Current Affairs:

Part-II

Q.No2: Privatization

I. Introduction:

Privatization in Pakistan is not a new debate, it began in 1990s when Prime Minister Zulfikar Ali Bhutto introduced disinvestment and denationalization policies as part of his socialist economic reforms. In 1992, [69] manufacturing units and [2] commercial banks were privatized to ease the fiscal burden on Pakistan's economy.

In recent years, economic pressures including rising fiscal policies, macro-economic instability, and conditionalities have renewed calls for privatization. The privatization of "Pakistan International Airlines (PIA)" is an instance of this call. So, government has identified more than 20 SOEs for privatization. In this regard, the debate remains polarized, as some arguing that privatization without strong regulation

risks service cutbacks or private monopolies.

(ii)

II State Owned Enterprises as a Budgetary Burden

State-owned enterprises (SOEs) in Pakistan have cumulatively drained the national exchequer by trillions of rupees.

(iii)

- * Over the past decade, 23 SOEs have drained around Rs 5.5 trillion from public finances.

- * By 2024, SOEs generated revenues of Rs 13.5 trillion but still registered combined losses of Rs 30.6 billion.

- * Government support for SOEs reached Rs 1.58 trillion, roughly 12% of budget receipts.

III Why Privatization Appears Inevitable

(i) Persistent Fiscal Drain

SOEs continue to require budgetary support that constrains public finances, limiting development spending.

Day: _____

Date: _____

(ii) Profit-and-loss Discipline:

Privatised enterprises work on profit-and-loss discipline, encourage better service and resource allocation.

(iii) Attracting Investments:

Privatisation signals commitment to market reforms, improving investor confidence and foreign direct investment (FDI).

(iv) Weak Regulatory Capacity:

Inadequate regulations in government SOEs is a burden on the economy. Over-staffing, no inclusivity, red-tapism, and in-efficient labor force that makes privatization inevitable.

v) Goodwill of Pakistan's SOEs:

Due to inefficient working of SOEs, Pakistan is losing investor's interest and goodwill of enterprises being the nationally owned organizations.

There are multiple economical, fiscal, political, and social reasons to privatise

the SOEs - as they are no longer in the government's capacity to manage.

IV. PIA Case Study: The Flag Carrier's Fiscal Strain

Pakistan International Airlines (PIA) offers one of the clearest examples of SOE inefficiency and fiscal burden. In FY2025, PIA reported a net operational loss of Rs 4.6 Billion, despite an accounting profit in the books. On 23rd December, 2025 a Pakistani private consortium led by Arif Habib acquired 75% of PIA for Rs 135 billion ~ \$482 million, while the government retains a 25% stake. It is reported that the government also transferred roughly Rs 660-670 billion in legacy debt to a holding company to make PIA viable for sale.

(i) Analysis:

While privatization yields immediate revenue and aims to reduce direct operational loss

the state still absorbs substantial historical liabilities.

V. Recommendations for effective SOE Reforms

(i) Strategic and Phased Privatization:

Not all SOEs should be privatised unilaterally. Ring-fencing the strategic sectors such as national sector under partial-private involvement.

(ii) Enhance Regulation and Competition:

Ensure fair pricing in the privatized sectors to reduce private monopolies in the market and empower independent regulators.

(iii) Improve Governance before Sale:

Greater transparency in financial reporting, performance indicators, and accountability mechanisms can increase value and investor confidence before sale.

(iv) Reinvestment through Privatisation Money:

Proceeds receive from privatisation should

be allocated to debt reduction, education, and accountability, rather than recurring government expenditures.

(v) Protect Labor and Social Interests:

Through privatisation, ownership changes from government to private. Working labors should be supported through fair, unemployment support, and reskilling programs.

VI. Conclusion:

In conclusion, the statement that privatisation is inevitable stems from the unsustainable fiscal burden of SOEs. However, the effectiveness of privatisation depends upon institutional preparedness, strong regulation, and social safeguards. A well-sequenced and transparent privatization strategy, combined with governance reforms, can help Pakistan balance efficiency gains with social and economic stability.

QNo8:(I) Gaza Peace Plan:

The Gaza Peace Plan refers to a US-brokered, 20-point framework announced in September, 2025. It aimed at ending the prolonged conflict between Israel and Hamas in the Gaza strip. The plan was later endorsed by UNSC via Resolution 2803. Moreover, it foresaw a multi-phase roadmap for ceasefire, demilitarization, reconstruction, and political transition under international oversight.

(i) Core Parties

Two parties - Hamas and Israel - show divergent positions on Gaza plan. In result, the delay is under-mining the prospects of implementation.

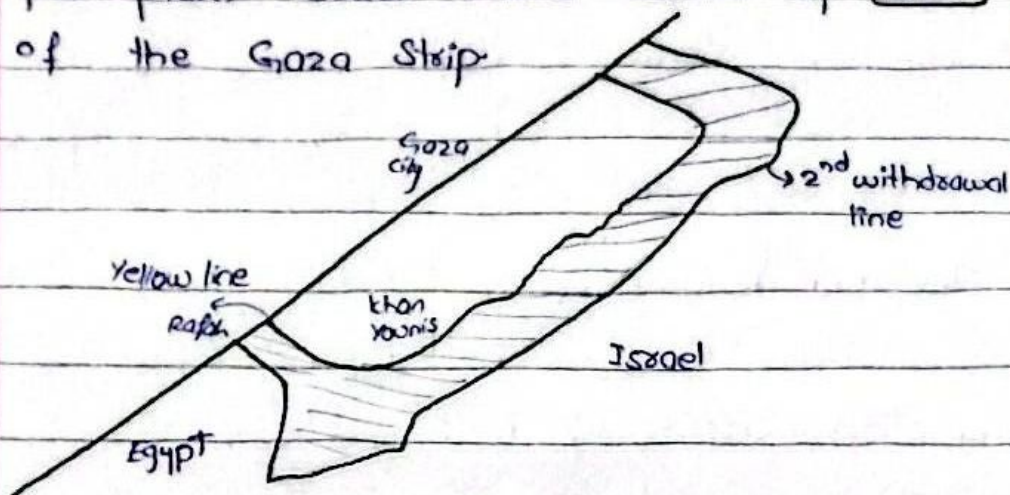
Hamas has been skeptical, viewing plan as biased and insufficiently consultative.

Israel insists on Hamas disarmament as a pre-condition of the peace in the region.

There are some strengths and weaknesses of the plan.

II. Critical Evaluation of the Plan:

According to the first phase of Gaza ceasefire plan, Israel retains control of **58%** of the Gaza Strip.



III. Strengths:

(i) Broad International Endorsement:

With UN endorsement, the plan carries legal and diplomatic weight. It can result in a structured roadmap - offers clarity compared to cyclic ceasefires of the past.

(ii) Role of International Stabilization Force (ISF):

The role of International Stabilization Force (ISF) can be helpful to stabilize conditions. The plan could attempt to balance security and humanitarian imperatives.

IV Weaknesses:

(i) Lack of Trust between key Actors:

Repeated violations by both Israel and Hamas have eroded confidence in compliance. Israel has not fully withdrawn as agreed, and Hamas remains unarmed.

(ii) Legitimacy Issues:

The plan was shaped largely by external powers, with inadequate direct involvement of Palestinian leadership - so acceptance and legitimacy of plan is doubtful.

(iii) ISF Mandate and Contributions:

ISF mandate (Hamas disarmament) and troop contributions have delayed its deployment. ISF delays are risking sparking confrontations.

(iv) Humanitarian Conditions on Ground:

Despite commitments of both parties, civilian harm and basic necessities access restrictions persist. Israel still not allowing restriction-less food and medication access to Palestinians.

V. Chances of Success:

The plan is fragile, not yet failing outright, but its success is uncertain.

key challenges are:

(i) Delayed ISF Deployment:

ISF deployment is delayed and without security assurances Hamas will not be disarm and reconstruction efforts stall.

(ii) Competing Agendas:

Both parties have different agendas that are competing in the race of priorities.

Israel wants control over palestine and Hamas is demanding free-palestine.

(iii) Mutual non-compliance:

Ongoing violations from Israel as well as Hamas undermine ceasefire credibility.

Analysis:

The plan could work-if both primary actors respect commitments and if an impartial

stabilization mechanism is rapidly operationalized.

vi. Pakistan's Policy on Gaza Plan:

Pakistan's policy on Gaza Plan is a principled, conditional, and cautious policy.

It does not specifically planned, and it is supporting ceasefire, and humanitarian relief

Core Pillars of Policy

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graph TD; A[Core Pillars of Policy] --> B[1. Two-State Solution as the only acceptable outcome]; A --> C[2. Support for immediate and permanent ceasefire]; A --> D[3. Rejection of forced displacement]; A --> E[4. Condition Engagement with International mechanisms];
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1. Two-State Solution as the only acceptable outcome
  2. Support for immediate and permanent ceasefire
  3. Rejection of forced displacement
  4. Condition Engagement with International mechanisms

## vii. Possible Fallout on Pakistan:

### (i) Domestic Politics:

The issue has already sparked calls for parliamentary consultation, reflecting a sensitive domestic political environment.

### (ii) Regional Reputation :

Pakistan's contribution to an international stabilization force - if approved - could re-brand Pakistan's role as a peace contributor.

### (iii) Diplomatic Balancing:

Pakistan's engagement with the peace process may deepen ties with Middle Eastern and Western partners, enhancing diplomatic influence.

## VIII Conclusion:

The Gaza peace plan represents one of the most ambitious efforts yet to resolve a decades-long conflict. Its success lies in international efforts and mutual compliance of both primary parties. Pakistan's policy approach in this situation remains rooted in principled supports for Palestinian rights. Islamabad's continued emphasis on balanced diplomacy and humanitarian priorities shapes its response in the long-run.

Q No 7:**I. Introduction:**

US-China rivalry has transformed the typical concept of war into strategic war. According to Centre for Strategic International Studies (CSIS), 2018-2020 was identified as the start of a deliberate, high-intensity trade conflict. This rivalry is multi-dimensional, covering trade, security, technology, and global influence. US implemented Semi-conductor export controls on China and China leveraged REMs as counter-measures.

**II. US-Chips Strategy:**

Semi-conductors are foundational to AI, defense system, cloud computing, and digital infrastructure. US exports restricted China's access to advanced technology chips:-

**(i) Strategic Objectives:**

As China is a rival country to USA: USA wants:

- ① Slow China's progress in cutting-edge technologies,
- ② Protect US national security interests by preventing dual-use technologies,

### ③ Strengthening domestic manufacturing.

#### (ii) Analysis:

US export controls have created significant challenges for China - Brookings Analysis suggested - Interdependencies caused China to rely on equipment and designs from Abroad.

## III. China's Rare Earth Cards:

China controls roughly:

- 60-70% of global rare earth mining
- 85-90% of REMs processing capacity.

These elements are crucial for defense system, EV motors, high-tech electronics.

#### (i) Policy Move of China:

Beijing has imposed export controls and licensing requirements on several REMs.

These move are widely seen as retaliatory response to US tech controls and tariffs.

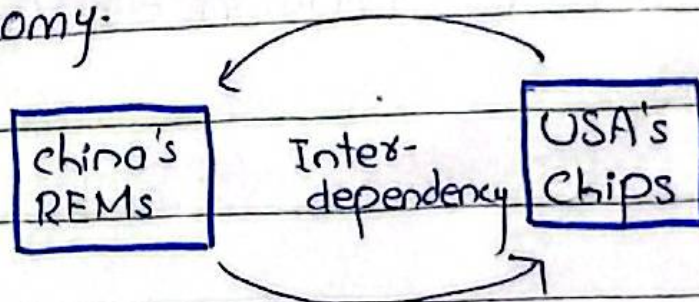
#### (ii) Analysis:

China's controls signal strategic resolve and preserve the bargaining power without fully cutting off exports. Complete ban could accelerate diversification outside China.

#### IV. Structural Dependencies of US and China

The US has historically failed to develop deep rare earth extraction and processing capacity. It creates strategic vulnerability for US market.

On the other hand, China continues to depend on some advanced western semiconductor technologies, limiting its autonomy.



#### V. Future Trade War Evaluation:

The expected trade war situations can be:

##### (i) From Trade War to Tech War:

The future conflict will likely:

- Focus on technology chokepoints
- Involve export controls, sanctions, and industrial policy.

This represents a long-term, structural rivalry.

## (ii) Fragmented Globalization of Economy:

Despite holistic rhetoric:

- What is emerging is selective decoupling in sensitive sectors.

The global economy is moving toward the fragmented globalization, not deglobalization.

## (iii) Impact on Global Supply Chains:

The trade war will:

- Increase costs of production
- Disrupt supply chains in developing countries.

## (iv) Risks of Politicization of Economic Institutions:

The weaponization of trade increases risks of:

- Tit-for-tat restrictions.
- Politicization of economic institutions.

## (v) Constraints on Both Powers:

The US faces high costs of retooling and subsidy-driven inefficiencies. While, China faces slowing growth and technology bottlenecks.

## VI. Critical Analysis:

Upon critical analysis, the future trade war of US-China rivalry could shape into three scenarios:-

Following are the scenarios:

### (i) Managed Strategic Competition:

US-China current rivalry could shape into managed strategic competition:

- Continued rivalry in high-tech sectors
- Limited cooperation in climate change and global finance.

### (ii) Bloc-Based Economic Order:

Just like before, apparently, bloc-based economic order could revolutionize the multipolar global order of the world.

- US-led and China-led technological blocs.

### (iii) Escalation into Economic Cold War:

Escalation into Economic cold war is a least desirable outcome, where, de-stabilization of multilateral trade

regimes, severe decoupling, and global recessionary pressures could be the case in point.

## VI. Conclusion:

The use of chips by the US and rare earth metals by China as strategic weapons marks a decisive shift from traditional trade disputes to geo-economic warfare. The ultimate challenge for the international system will be to manage this rivalry as the trade war will be long-term, structural, and technology-driven.